

**South Carolina Commission for the Blind**

**Columbia, South Carolina**

**State Auditor's Report**

**June 30, 2020**



Independent Accountant's Report on Applying Agreed Upon Procedures

August 25, 2021

Ms. Darline Graham, Commissioner  
and  
Members of the Commission  
South Carolina Commission for the Blind  
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Commission for the Blind (the Commission) for the fiscal year ended June 30, 2020. The Commission's management is responsible for the systems, processes and behaviors related to financial activity.

The Commission's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Commission to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the Commission's management. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

We are required to be independent of the Commission and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the governing body and management of the Commission, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor**

**Agreed - Upon Procedures Related to the South Carolina Commission for the Blind (L24)**

**Cash Receipts/Revenues**

1. Haphazardly select three cash receipts transactions and inspect supporting documentation to determine:
  - The transaction agrees with the general ledger as to amount, date, payor, and account classification.
  - Revenues/receipts were deposited in a timely manner in accordance with Proviso 117.1 of the fiscal year 2020 Appropriation Act.
  - Receipts are recorded in the proper fiscal year.

**Findings**

**Receipt Documentation** – The Commission did not have adequate documentation to allow a determination that two of the receipts inspected were properly classified in the general ledger, deposited in a timely manner, and recorded in the correct fiscal year.

**Revenue Recognition** – The Commission recorded a \$14,600 receivable in fiscal year 2020 for revenue earned in fiscal year 2019. The Commission did not submit an Other Receivables Reporting Package in fiscal year 2019 to report the receivable.

**Management's Response**

We agree with the findings. We have identified staff members who will be responsible for receivables, developing procedures, and providing training to help ensure that adequate documentation is collected and maintained and that receipts are processed in a timely manner. We will ensure that procedures are in place to appropriately recognize revenue at year-end and to ensure applicable reporting packages are completed.

**Cash Disbursements/Non-Payroll Expenditures**

2. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
  - The transaction is properly completed as required by Commission procedures and invoice(s) agree(s) with general ledger as to vendor, amount, and date.
  - The transaction is an actual expenditure of the Commission.
  - The transaction is properly classified in the general ledger.
  - Disbursement is recorded in the proper fiscal year.
3. Haphazardly select ten purchasing card transactions from the Office of the Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2020 and inspect supporting documentation to determine:
  - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Commission policies.
  - The purchase is authorized based on the cardholder's job title/position.

## Cash Disbursements/Non-Payroll Expenditures (Continued)

- The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
- The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

### Findings

**Unreported Payable** – Expenditures totaling \$10,570 incurred in fiscal year 2019 and paid in fiscal year 2020 were not reported as a payable on any of the applicable fiscal year 2019 reporting packages.

**Untimely Payment** – An invoice received in January 2020 was not paid until June 2020. Commission policy requires invoices to be paid within fifteen working days of the receipt of a proper invoice.

**Unsigned Monthly Purchase Statements** – The Commission was unable to provide signed monthly purchase statements for all ten purchasing card transactions inspected. A similar finding was reported in the 2019 State Auditor's Report.

### Management's Response

We agree with the findings. We are developing new procedures that will ensure adequate controls over accounts payable. This will include supervisory approval on all purchases before a purchase is made. We have also implemented procedures that will help to ensure payments are processed within fifteen working days of the receipt of a proper invoice and that all cardholders sign statements and a certification form monthly. Finally, we have hired an accounts payable supervisor to oversee the processing of accounts payable and purchasing card transactions.

### Payroll

4. Haphazardly select three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures and that their last paycheck, including any leave payout, was properly calculated in accordance with applicable State law.
5. Haphazardly select three employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first paycheck was properly calculated in accordance with applicable State law.

We found no exceptions as a result of these procedures.

### Journal Entries and Transfers

6. Haphazardly select three journal entries and transfers and inspect supporting documentation to determine:
  - Postings in the general ledger agree to supporting documentation.
  - Transaction is properly approved.
  - The purpose of the transaction.

We found no exceptions as a result of this procedure.

## Reporting Packages

7. Inspect fiscal year end reporting packages submitted to the CG. Compare responses in the Master Reporting Package Checklist and any required supplemental information to the reporting packages, the South Carolina Enterprise Information System (SCEIS) and Commission prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.
8. In addition to the procedure above, perform the following:
  - Grants and Contributions Revenue Reporting Package

Haphazardly select three grants and agree the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number to the SCEIS general ledger and SCEIS Display Grant Master.
  - Loan and Notes Receivable Reporting Package

Agree reported beginning and ending balances, new loans issued, other increases, loan repayments, and other decreases to Commission prepared records.
  - Capital Assets Reporting Package

Compare responses and agree reported amounts to the SCEIS general ledger, the *SCEIS Asset History Sheet* and Commission prepared records.
  - Accounts Payable Reporting Package

Agree amounts to the SCEIS general ledger and *SCEIS Yearend Reporting - Prior Year Payables with Vendor* report. Haphazardly select five payables from the Accounts Payable Summary Form and determine if the amounts were properly classified, calculated, and reported.
  - Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Commission prepared records. In addition, haphazardly select three payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated, reported, and excluded from the original Accounts Payable Reporting Package submission.

## Findings

**Timeliness of Reporting Packages** – The Commission submitted three reporting packages after the due date established by the CG.

**Loan and Notes Receivable Reporting Package** – The Commission applied \$6,010 of loan repayments for loans of inactive Blind Licensed Vendors (BLVs) to the outstanding loans of active BLVs. The Commission also omitted the outstanding loan balances of inactive BLVs as well as Other Decreases totaling \$10,815 from the reporting package. A similar finding was reported in the 2019 State Auditor's Report.

## **Reporting Packages (Continued)**

### **Findings (Continued)**

**Capital Assets Reporting Package** – The following errors were identified during the inspection of the Commission's reporting package:

- The Commission did not complete Form 3.08.5 (Reconciliation of SCEIS Asset History Report Activity to General Ledger Activity) to report a \$5,187 overstatement of debits and credits in an Equipment general ledger account.
- Similar to the finding reported in the 2019 State Auditor's Report, \$3,780 of low value assets are misclassified in the general ledger as non-depreciable works of art.
- Because several adjustments were inaccurately reported on Form 3.08.2 (Reporting of Adjustments and Errors Identified in SCEIS Asset History Sheet), the net historical adjustment was understated by \$6,314 and the net accumulated depreciation adjustment was overstated by \$30,932.
  - Adjustments for two low value assets were reported on Form 3.08.2. (Low value assets are not included on this reporting package and therefore, no adjustment was necessary.)
  - The Commission was unable to provide documentation to support one of the asset adjustments reported on Form 3.08.2.

**Accounts Payable Reporting Package** – A \$17,601 vendor payable was misclassified as an intergovernmental payable.

**Subsequent Events Questionnaire** – A \$2,587 disbursement for goods received after fiscal year 2020 was incorrectly reported as a payable on the Subsequent Events Accounts Payable Worksheet.

### **Management's Response**

**Timeliness of Reporting Packages** – We agree with the finding. Our new Quality Assurance department will coordinate the completion of reporting packages and ensure they are submitted by the due dates established by the CG.

**Loan and Notes Receivable Reporting Package** – We agree with the finding. Beginning with the fiscal year 2021 reporting package, we will account for the loan balances of active and inactive BLVs separately and ensure all loan balance activity is reported on the package.

**Capital Assets Reporting Package** – We agree with the finding. We recently reclassified an open position to serve in a new procurement role and directly oversee the recording, tracking, and reporting of assets in conjunction with Finance department staff. Management is developing a stronger review process for this reporting package that will help prevent future errors by requiring the reviewer to assess whether all required sections of the package were completed and to determine if adjustments were accurately reported and properly supported.

**Accounts Payable Reporting Package** – We agree with the finding. We have hired an accounts payable supervisor to oversee the processing and reporting of all payable activity. Management will also perform a more detailed review of the package that includes ensuring all payables are correctly classified.

**Subsequent Events Questionnaire** – We agree with the finding. We are now requiring payable staff to clearly document when goods are received to help prevent this type of error from occurring. Additionally, management will perform a more detailed review of the package that includes making sure all payables reported relate to goods received or services provided during that fiscal year.

## Reporting Packages (Continued)

### Assets and Personal Property

9. Haphazardly select five asset acquisitions and inspect supporting documentation to determine that each asset was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
10. Haphazardly select three capital asset retirements and inspect supporting documentation to determine that each asset was approved for removal and removed from the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
11. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Commission property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

### Findings

**Asset Acquisitions** – The following errors were identified during our inspection of asset acquisitions:

- The Commission added an asset to the general ledger twice and did not correct the error until fiscal year 2021, resulting in the Commission's assets being overstated by \$5,741 at the end of fiscal year 2020.
- Another asset was added to the general ledger in the incorrect fiscal year and the depreciation that was incurred since the actual acquisition date was not recorded. In addition, the historical cost of the asset was overstated by approximately \$1,500.
- Similar to the finding reported in the 2019 State Auditor's Report, an asset was misclassified in the general ledger as equipment rather than a vehicle. Additionally, two capital assets totaling approximately \$10,350 were misclassified in the general ledger as low value assets, resulting in the value of each asset being fully expensed in fiscal year 2020 rather than depreciated over each asset's useful life.

**Personal Property Inventory** – The Commission did not complete an inventory of personal property during fiscal year 2020 as required by South Carolina Code of Laws 10-1-140. The inventory was completed in July 2020.

### Management's Response

**Asset Acquisitions** – We agree with the findings. We are developing improved controls to help us oversee the recording, tracking, and reporting of assets. We have also reclassified an open position to serve in a new procurement manager role which will jointly oversee this process with Finance department staff. A review process between the two departments will be developed to ensure assets are appropriately recorded.

**Personal Property Inventory** – We agree with the finding. We are developing procedures to take and maintain proper and timely inventory counts of personal property which will be jointly developed and overseen by the new Procurement Manager and Finance department staff.

## Procurement

12. Select two sole source procurement transactions and inspect supporting documentation to determine the disbursement complied with the Commission's procurement procedures as well as the South Carolina Code of Laws Section 11-35-1560.

## Finding

For one sole source procurement, we identified the following discrepancies during our inspection:

- A contract was entered into with the vendor and the vendor began providing services prior to the issuance of a purchase order.
- The sole source procurement justification form for this purchase order was authorized by the Commission's Director after the purchase order had been issued.
- Adequate public notice of the intent to award without competition was not posted in South Carolina Business Opportunities as required by South Carolina Code of Laws 11-35-1560(A) due to the Commission determining the potential value of the contract as \$50,000. However, the Commission had already paid the vendor approximately \$40,000 prior to this determination. Additionally, the vendor's contract contained a clause stating the contract could be extended by mutual agreement on a month-to-month basis, which would allow for the potential value of the contract to exceed \$50,000.
- The vendor was paid \$97,215 in total, \$76,887 of which was paid during fiscal year 2020.

## Management's Response

We agree with the finding. We are developing improved controls over procurement to help ensure we are in compliance with all applicable State laws and regulations. The new Procurement Manager will be trained in all such laws and regulations as well as Commission specific procurement policies and procedures. A periodic review of compliance with laws and regulations will be performed by the Director of Operations and/or his staff.

## Status of Prior Findings

13. Through inquiry of management and inspection of supporting documentation, determine the Commission has taken corrective action on the findings reported during the engagement for the prior fiscal year.

## Observations

Based on discussion with management and through inspection and observation, we determined three prior year findings were corrected before the end of fiscal year 2020: (1) Cash Receipts/Revenue, (2) Cash Disbursements/Non-Payroll Expenditures – General Ledger Account Coding, and (3) Grants and Contributions Revenue Reporting Package.

We also identified similar findings related to (1) Cash Disbursements/Nonpayroll Expenditures – Purchasing Cards (as reported in the **Status of Prior Findings** section of the 2019 State Auditor's report), (2) Loan and Notes Receivables Reporting Package, (3) Capital Assets Reporting Package, and (4) Assets and Personal Property. See findings at (1) **Cash Disbursements/Non-Payroll Expenditures – Unsigned Monthly Purchase Statements**, (2) **Loan and Notes Receivables Reporting Package**, (3) **Capital Assets Reporting Package**, and (4) **Assets and Personal Property – Asset Acquisitions**.



## **Recommendation**

**Rest Area Vending Buildings** – The Commission should record its rest area vending buildings as assets in the general ledger. Due to the varying range of when the buildings were acquired, the Commission should consult with the CG on how to properly classify and record the buildings.